

Report to: Housing Review Board



Date of Meeting 21<sup>st</sup> January 2021

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

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## Update on spending Right to Buy receipts 2020/21 financial year

### Report summary:

To provide the Housing Review Board with an update on right to buy spending for 2020/21 and the challenges faced due to Covid-19. The report provides information on the amount of receipts spent or committed to spend in the financial year and the amount that will be returned to Government.

### Recommendation:

1. To note the contents of this report and spend information.

### Reason for recommendation:

To ensure that members are fully aware of the challenges in spending receipts and to inform them that we will be having to return receipts and pay an interest charge.

Officer: Joanne Garfoot, Acting Housing Service Lead

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Portfolio(s) (check which apply):

- Climate Action
- Coast, Country and Environment
- Corporate Services and COVID-19 Response and Recovery
- Democracy and Transparency
- Economy and Assets
- Finance
- Policy Co-ordination and Regional Engagement
- Strategic Planning
- Sustainable Homes and Communities

### Financial implications:

Financial implications are considered within the body of the report

### Legal implications:

Local authorities can spend their RTB receipts themselves, to fund the development costs associated with the provision of social rented housing, as defined in Section 68 (1) (a) of the Housing and Regeneration Act 2008.

**Equalities impact** Low Impact

**Climate change** Medium Impact

**Risk:** Medium Risk; [Click here to enter text on risk considerations relating to your report.](#)

**Links to background information .**

**Link to [Council Plan:](#)**

Priorities (check which apply)

- Outstanding Place and Environment
- Outstanding Homes and Communities
- Outstanding Economic Growth, Productivity, and Prosperity
- Outstanding Council and Council Services

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## Report in full

### 1.0 Background

- 1.1 A report was taken to the board in January 2020 which set out the options for spending right to buy receipts in the 2020/21 financial year. It was recommended and agreed that we would pursue a range of options in order to spend the receipts. These options included continuing with our acquisition programme of buying suitable properties from the open market to add to council stock, look into building new council houses on council owned land, using the receipts to provide grant to registered providers and returning some of the money to Government.
- 1.2 This report provides an update on spending of the receipts to-date and the challenges that we have faced as a result of Covid-19 and lockdown restrictions.

### 2.0 Required spend in 2020/2021

- 2.1 The level of spend significantly increased this financial year compared to the previous 2 years. The below table shows the amounts required to be spent each quarter:

|           | RTB amount<br>30% | Contribution from<br>PWLB 70% | <b>Total Spend</b> |
|-----------|-------------------|-------------------------------|--------------------|
| Quarter 1 | 337,910           | 788,457                       | <b>1,126,367</b>   |
| Quarter 2 | 369,658           | 862,536                       | <b>1,232,194</b>   |
| Quarter3  | 328,121           | 765,615                       | <b>1,093,736</b>   |
| Quarter 4 | 729,743           | 1,702,733                     | <b>2,432,475</b>   |
|           |                   | <b>Total</b>                  | <b>5,884,772</b>   |

### 3.0 Challenges

- 3.1 Due to resourcing issues following a member of staff leaving and not being replaced it was decided in February that the Property and Estates team would take over the acquisition programme from quarter 2, with Housing overseeing and supporting.
- 3.2 Whilst quarter 1 started off promisingly with a number of sales agreed, unfortunately on 26<sup>th</sup> March the Government introduced lockdown measures in response to Covid-19 which in effect suspended the UK's property market for 2 months. We managed to complete on 4 purchases during quarter 1 which had been agreed before the lockdown period.

3.3 The restrictions were eased late in May which allowed us to view properties again, however the market was very slow to start up again with very few properties coming onto the market. With the announcement in July of a stamp duty holiday the number of properties coming to the market increased significantly and we were able to agree a number of purchases. Over time the numbers reduced again and we struggled to find suitable properties and also the pool of purchasers increased resulting in lots of competition. The stamp duty holiday is set to end on 31 March 2021 and as this date approaches the number of new properties coming to the market is reducing even further.

#### **4.0 Relaxation of rules by Ministry of Housing, Communities & Local Government**

4.1 In response to concerns raised by local authorities on spend and the impact of Covid-19 on the housing and building market we were granted a temporary relaxation in June on the deadlines for spending receipts with quarter 1 and 2 rolled up until the end of quarter 3 (31 December 2020). This provided some leeway but did not in our opinion go far enough. It became apparent very early on that we were not going to be able to spend all the receipts by the end of December and that we would need to pay back some of the receipts.

4.2 At the end of October we were consulted again on projected spending of receipts and the challenges still being faced. On 15<sup>th</sup> December we received confirmation that we were being granted a further relaxation of the rules until the end of March 2021. Unfortunately this latest extension is not long enough for us to spend all the receipts. We will continue to look for suitable properties to buy on the open market but given resourcing issues and the demands put on the housing market industry with the stamp duty holiday ending it is unlikely that we will meet the deadline of the end of March.

#### **5.0 Current position**

5.1 To date we have completed on the purchase of 9 properties and have a further 4 going through. One of these currently under offer is a block of 7 x 1 bedroom units. The total number of properties once all completed will be 19 additional units. We have spent circa £1.57m on these acquisitions and when the remaining properties have completed we will have spent circa £3.06m.

5.2 This will result in a shortfall in spending and we will be required to pay back circa £844k in receipts and £121k in interest on the returned amount. This amount may reduce after accounting for repairs to the properties acquired and any other purchases that we manage to complete on in the meantime.

5.3 Whilst it is disappointing that we will have to return receipts, this year's spend requirements was always going to be a challenge and that was before Covid-19. Investment in staffing and a clear strategy for spending receipts is needed to ensure we are best placed to spend the receipts and provide the much needed replacement affordable housing for our stock. This will also ensure that we are getting the right type of properties and properties that will meet our climate change agenda.

5.4 It should be noted that it is the first time we have had to pay back any receipts since entering into our agreement with the Secretary of State in 2012.